

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58206

#### **PACIFIC COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**

Pacific County, Washington

January 1, 1993 Through December 31, 1995

Issue Date: May 16, 1997

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**PACIFIC COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**  
**Pacific County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Boards of Commissioners  
Pacific County Combined Special Purpose Districts  
Pacific County, Washington

We have audited the financial statements, as listed in the table of contents, of the Pacific County Combined Special Purpose Districts, Pacific County, Washington, as of and for the fiscal years ended December 31, 1995, 1994, and 1993, and have issued our report thereon dated February 20, 1997.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the districts complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the districts' management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the districts and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the districts complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted instances of noncompliance of regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the districts had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the boards of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

February 20, 1997

PACIFIC COUNTY COMBINED SPECIAL PURPOSE DISTRICTS  
Pacific County, Washington  
January 1, 1993 Through December 31, 1995

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Schedule Of Findings ) Chinook Water District

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1. District Should Retain Records For Audit

The Chinook Water District failed to retain essential records for audit. Customer billings and subsequent records of payments by customers were not available for audit for 1994 and 1993. We were not able to ascertain the completeness of bank deposits for that period. The commissioners also failed to require any type of financial report to be submitted at the monthly commission meetings as evidenced by the minutes.

RCW 40.14.060 states in part:

Official public records shall not be destroyed unless: (a) The records are six or more years old.

Loss of records hampers the audit process, makes public records unavailable for inspection, and leaves the district in an awkward position should any customer question his or her past billings.

Had any money been lost, the loss of records voids employee faithful performance bonding.

We recommend the district remain informed as to its financial position and maintain records.

Auditee's Response

*The district agrees with the finding. Currently, records are being properly maintained and will be available for the next audit.*

**PACIFIC COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**  
**Pacific County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Schedule Of Findings ) Pacific County Fire Protection District No. 1**

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1. Pacific County Fire Protection District No. 1 Should Avoid Conflicts Of Interest

One of the commissioners of Pacific County Fire Protection District No. 1 is part owner of a general store located across the street from the fire station. He is also part owner of the nearest gas station with large bay diesel service. On at least seven occasions during the period under audit, the district purchased in excess of \$750 of gas and supplies in a single month from those two businesses.

RCW 42.23.030 states:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his or her office, or accept directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein. This section shall not apply in the following cases: . . . PROVIDED, That the total volume of business represented by such contract or contracts in which a particular officer is interested, singly or in the aggregate, as measured by the dollar volume of the municipality's liability thereunder, shall not exceed seven hundred dollars in any calendar month . . . .

It was apparently the district's belief that since it was more convenient to make purchases at the commissioner's businesses this would not constitute a conflict. However, the RCW quoted above makes no such exclusion for convenience.

We recommend the district restrict purchases from its officers to the amount allowed by law.

Auditee's Response

*Your suggestion as to restricting the activities that may result in profiting by various board members and officers of the District is being investigated to the complete extent of our abilities and corrective actions are being pursued. We do not take our audit report lightly and desire to improve our ability to meet guidelines and procedures.*

**PACIFIC COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**  
**Pacific County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Schedule Of Findings ) Pacific County Fire Protection District No. 2**

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1. District Should Comply With Rules And Regulations

During our audit of Pacific County Fire Protection District No. 2, we noted the following discrepancies:

- Fire District No. 2 keeps no official record of commissioner meetings. Minutes are required for all public meetings by Chapter 42.32 RCW.
- Vouchers are not certified to indicate goods or services were received. RCW 24.42.080 requires voucher certification.
- The district failed to bid purchases greater than the amount required for competitive bids. RCW 52.12.110 requires equipment costing over \$4,500 to be advertised for competitive bid.
- The district circumvented the county treasurer by paying for a fire truck with loan proceeds and not through the voucher process. The purchase of the truck was not recorded against the district's budget. RCW 52.26.010 requires the county treasurer to receive and disburse all district revenues.

The effects of the aforementioned include: denying the public information on the commission's official actions, not providing assurance that goods and services are actually received, failure to assure the best possible price for the district's resources, and not showing true district receipts and disbursements.

We recommend the district:

- Maintain an accurate record of commission meetings and have the minutes of those meeting available to the public and the auditor.
- Certify that goods and services are received.
- Adhere to bid requirements.
- Deposit all receipts with the county treasurer and make all expenditures by submitting a voucher to the county auditor.

Auditee's Response

*The district concurs with the facts as presented in the finding. Currently, minutes are being kept, vouchers are being certified, and all transactions are being run through the county treasurer. The district will follow bid requirements in the future.*

Auditor's Concluding Remarks

Based upon the responses to these findings, it appears that corrective actions have been or will be taken. We will review these issues again during our next regular audit of the special purpose districts of Pacific County.

We would like to thank the staffs of all these districts for their assistance and cooperation throughout the course of the audit.



**PACIFIC COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**  
**Pacific County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Independent Auditor's Report On Financial Statements**

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Boards of Commissioners  
Pacific County Combined Special Purpose Districts  
Pacific County, Washington

We have audited the Schedule of Cash Activity, Schedule of Investments, and Schedule of Long-Term Debt, of the various funds of those special purpose districts of Pacific County, Washington, listed in the financial statements, for the fiscal years ended December 31, 1995, 1994, and 1993. These financial statements are the responsibility of the districts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Pacific County prepares financial statements on behalf of the districts on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A substantial portion of the revenues of the water district, sewer district, and port districts consists of locally collected charges and fees. It was not practicable to satisfy ourselves with respect to these revenues beyond the amounts recorded by the county as received.

In our opinion, except for the effect, if any, of the matters discussed in the preceding paragraph, and except that omitted disclosures might influence a user's conclusions about the districts' transactions, the accompanying financial statements present fairly the cash and investment transactions and the long-term bonded indebtedness of the funds of the listed districts for the fiscal years ended December 31, 1995, 1994, and 1993, on the prescribed basis of accounting.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

February 20, 1997